GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:366
ANSWERED ON:16.07.2002
DISINVESTMENT OF VSNL
BASUDEB ACHARIA;SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government had sold the Videsh Sanchar Nigam to the Tata Group at rupees fifteen hundred crore sometime back;

(b) if so, the details of the terms and conditions of the agreement reached between the two parties while selling the above Nigam;

(c) whether Tata Group has diverted rupees twelve hundred crore from the Videsh Sanchar Nigam and invested the same in its another company known as Tele Services;

(d) if so, whether Tata Group had sought Government`s approval for such an action in advance;

(e) if not, whether the above act of the Tata Group is in consonance with the spirit of the agreement; and

(f) the action taken by the Government to check such irregularities in future alongwith the outcome thereof?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) Government sold 25% of the equity of Videsh Sanchar Nigam Ltd. (VSNL) to M/s. Panatone Finvest Ltd. (Tata Group) fo Rs.1439.25 crore which works out to Rs.202 per share.

(b) The terms and conditions of the Agreement, namely, Shareholders` Agreement and Share Purchase Agreement entered into by the Strategic Partner with the Government of India provide for the manner in which the affairs of the company are to be carried out post-disinvestment inter-alia including provisions on affirmative vote items of Government, exit options, obligations of the Strategic Partner, such as, protection against asset stripping, protection to employees post-disinvestment etc.

(c) to (e) A sub committee of Directors of the VSNL Board, including a Government nominee Director, has been constituted by VSNL to study matters concerning inter-corporate investment upto the level of Rs. 1200 crores in the share capital of an Indian company holding Basic Service Operator (BSO) licences, which inter alia includes issues of valuation/price etc. Investment decisions by a company, post-disinvestment, would be governed by the provisions of Company Law and those of the Shareholders/Share Purchase Agreements. Investment which conforms to these regulations and which enhances the enterprise value of the subject company is in consonance with the spirit and objective of disinvestment. The VSNL Agreements have sufficient safeguards to ensure this as also to protect other interests of the company and the Government.

(f) Does not arise in view of reply to (c) to (e) above.